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**CITY OF SAN BUENAVENTURA**

Single Audit Report

For the Year Ended June 30, 2009

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**CITY OF SAN BUENAVENTURA**  
Single Audit Report  
For the Year Ended June 30, 2009

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SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

The Honorable City Council of  
the City of San Buenaventura, California

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Buenaventura, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant a deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, findings 09-01 through 09-04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we believe that none of the significant deficiencies described above to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management and others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Fini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California  
November 25, 2009



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The Honorable City Council  
of the City of San Buenaventura, California

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program, Internal Control Over  
Compliance and on the Schedule of Expenditures of Federal  
Awards in Accordance with OMB Circular A-133**

**Compliance**

We have audited the compliance of the City of San Buenaventura (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated November 25, 2009. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management and others within the City, and the City's federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Fini & O'Connell LLP*

Certified Public Accountants  
Los Angeles, California

February 9, 2010, except for the schedule of expenditures  
of federal awards, which is dated November 25, 2009

**CITY OF SAN BUENAVENTURA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
<b>U.S. Department of Transportation</b>			
Passed through the State of California			
Department of Transportation:			
Landscaping Improvements, HWY 126	20.205	07-4798	153,250
Passed through Ventura County Transportation Commission:			
Bus Centers and Shelters	20.205	CA-90-Y253-00	8,849
Program Total	20.205		<u>162,099</u>
Passed through the State of California			
Office of Traffic Safety:			
DUI Enforcement and Awareness	20.600	ALO739	30,638
DUI Enforcement and Awareness	20.600	ALO996	54,260
Passed through UC Berkeley:			
Click it or Ticket	20.600	CT09362	13,880
Program Total	20.600		<u>98,778</u>
<b>Total U.S. Department of Transportation</b>			<u>260,877</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Program:			
2006 Community Development Block Grants/ Entitlement Grants	14.218	B-06-MC-06-0536	11,583
2007 Community Development Block Grants/ Entitlement Grants	14.218	B-07-MC-06-0536	805,209
Community Development Block Grants/ Entitlement Grants -			
Program Income	14.218	-	89,450
Program Total	14.218		<u>906,242</u>
HOME Investment Partnerships Program	14.239	M06-MC-06-0564	73,508
HOME Investment Partnerships Program	14.239	M07-MC-06-0564	39,270
HOME Investment Partnerships Program	14.239	M08-MC-06-0564	5,925
Program Total	14.239		<u>118,703</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,024,945</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the State of California			
Office of Emergency Service:			
Public Assistance Disaster Grant - January Storms 2005	97.036	FEMA-1577-DR-CA	271,630
Reimbursement for Firefighting	97.016	-	141,890
Passed through Ventura County:			
2008 Homeland Security Grant	97.067	2008-0006	68,320
Emergency Management Performance Grants	97.042	2008-EM-E8-0009	17,643
Cluster Total	97.067/97.042		85,963
<b>Total U.S. Department of Homeland Security</b>			<u>499,483</u>
<b>U.S. Department of Commerce</b>			
Passed through the City of Santa Ana:			
2007 PSIC Grant	11.555	2007-2008	31,040
<b>Total U.S. Department of Commerce</b>			<u>31,040</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SAN BUENAVENTURA**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2009**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
<b>U.S. Department of Justice</b>			
Direct Program:			
Bryne Formula Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0185	5,862
Federal Equity Sharing Funds	16.600	CA0560800	16,252
Passed through the State of California			
Office of Emergency Service:			
Anti Gang Initiative	16.744	AG07 01 8584	36,213
<b>Total U.S. Department of Justice</b>			<u>58,327</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the County of Ventura:			
Senior Nutrition	93.045	3C-011-070812-R1	71,600
Senior Nutrition Program Income	93.045	-	25,408
Senior Nutrition Eastside Café	93.707	ARRA-013-070901-P1	16,510
Senior Nutrition Eastside Café Program Income	93.707	-	397
<b>Total U.S. Department of Health and Human Services</b>			<u>113,915</u>
<b>National Endowment for the Arts</b>			
Direct Program:			
Main Street Temporary Mural Project	45.024	45535	6,000
Passed through Arts Midwest:			
The Big Read	45.024	8-6200-7016	4,817
Program Total	45.024		<u>10,817</u>
<b>Total National Endowment for the Arts</b>			<u>10,817</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,999,404</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.



**CITY OF SAN BUENAVENTURA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

**(1) REPORTING ENTITY**

The financial reporting entity, as defined by GASB Codification, consists of the primary government, City of San Buenaventura (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

The City of San Buenaventura Redevelopment Agency  
The San Buenaventura Public Financing Authority

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Basis of Accounting***

Funds received under the various grant programs are recorded within general, special revenue, capital projects and enterprise funds of the City. The City utilizes the modified accrual method of accounting for special revenue and capital projects funds. The City utilizes accrual method of accounting for enterprise funds. The accompanying Schedule of Expenditures of Federal Awards has been prepared accordingly.

***(b) Schedule of Expenditures of Federal Awards***

The Schedule of Expenditures of Federal Awards presented is prepared from only the accounts of the grant programs and, therefore, does not present the financial position or results of operations of the City.

**(3) SUBRECIPIENTS**

Expenditures by subrecipients totaled \$589,679 for Community Development Block Grants/ Entitlement Grants (CFDA No. 14.218) and \$87,378 for HOME Investment Partnership Program (CFDA No. 14.239). Of the \$87,378 subrecipient expenditure amounts for the HOME Investment Partnership Program, \$58,125 consists of new loans issued for fiscal year 2008/2009.

**(4) LOANS RECEIVABLE**

Loans from the U.S. Department of Housing and Urban Development funds in the amount of \$2,638,120 are outstanding at June 30, 2009. The outstanding amount includes \$1,543,228 from Community Development Block Grants/ Entitlement Grants (CFDA No. 14.218) and \$1,094,891 from HOME Investment Partnership Program (CFDA No. 14.239). Each of the programs had new loan amounts of \$154,863 and \$58,125 issued respectively in fiscal year 2008/2009 and it is included in the Schedule of Expenditures of Federal Awards.

**CITY OF SAN BUENAVENTURA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**Section I - Summary of Auditor's Results**

***A. Financial Statements:***

- |   |             |
|---|-------------|
| 1. Type of auditor's report issued:   | Unqualified |
| 2. Internal control over financial reporting:                                       |             |
| a. Material weakness(es) identified?  | No          |
| b. Significant deficiency(ies) identified not considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to financial statements noted?                            | No          |

***B. Federal Awards:***

- |   |               |
|---|---------------|
| 1. Internal control over major programs:  |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiency(ies) identified not considered to be material weakness?                                       | None reported |
| 2. Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | No            |

4. Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.218

Community Development Block Grants/ Entitlement Grants

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee?                                 | Yes       |

**CITY OF SAN BUENAVENTURA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**Section II - Financial Statement Findings**

**Finding 09-01: Payroll Policy and Procedures**

***Condition***

The City does not have written payroll policies and procedures.

***Criteria***

Best practices state that, an entity is encouraged to have documented policies and procedures over their process and ensure that the process is being followed. The process should include a review process to ensure that payroll information is accurate, complete and authorized.

***Effect***

Without written policies and procedures, the City is unable to enforce appropriate control procedures over their payroll process. This may result in incorrect payments to employees and a misstatement of employee salaries and benefits expenditures.

***Recommendation***

We recommend that the City adopt written policies and procedures over their payroll process.

***Management Response***

The City is currently in process of preparing a policies and procedures for the payroll process along with the newly implemented accounting system (Agresso).

**Finding 09-02: Password Security**

***Condition***

While a password security responsibility has been defined in a City Policy, the City has not implemented and enforced appropriate password security standards at the network or application layers. Passwords for access to the network, Agresso, or Admins do not expire and do not require a minimum configuration (i.e. length or complexity). This places the City network and application data at increased risk of unauthorized or inappropriate access and manipulation.

***Recommendation***

The City Manager, working in conjunction with the CFO and IT Division manager should develop and implement a policy and associated procedures (i.e. enforcement through MS AD GPO, and Agresso controls) to ensure that all user accounts for accessing the City network and financial applications require an individual user IT (i.e. no shared accounts) and a unique password with at least the following minimum password configuration requirements:

- Length of between 7 and 14 characters
- Expiration period of between 30 and 90 days.
- A minimum password age of 1 day before a password can be changed.

**CITY OF SAN BUENAVENTURA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

- A password history of at least 12, meaning a password must be changed at least 12 times before it can be reused.
- An account lockout threshold of between 3 and 5, meaning 3 to 5 failed logons will lock a user's account and require the IT department to re-set the password for the user.

***Management Response***

The new system (Agresso) implementation will have better security that will be implemented as resources become available. A citywide process will be used, with oversight by senior management. The implementation of a secure password system that will be consistent with the current IT Security AP&P, will begin in the summer of 2010. We expect full implementation over several months.

**Finding 09-03: Database/Network Log In**

***Condition***

There is currently no network or database log-in being accomplished or any other means of identifying if unauthorized changes are being made to the network settings or the database layer of the financial applications. This places the City at increased risk of unauthorized activity taking place at the network and database layers.

***Recommendation***

The City Manager, working in conjunction with the CFO and IT Division manager, should investigate the feasibility of implementing log-in of changes being made to the database and periodically reviewing the logs for malicious or unauthorized activity, or some other method of identifying or preventing unauthorized changes.

***Management Response***

The Admins system does not have this capability (it is not on an SQL database). The new systems (Agresso) being implemented are and upon implementation, this functionality will be enabled. The process of creating a matrix identifying all access to the system has begun and is being modified/improved as system implementation progresses. This includes the input and approval of senior management in determining what access is needed by each individual. The ownership of the matrix, and input of any access changes, will reside in one control point within the Finance Department.

**Finding 09-04: User Security Roles and Authorization**

***Condition***

User security roles and authorizations have not been established within the Admins application functions, creating the potential for segregation of duty concerns and increasing the potential for fraud. Within the Agresso application, which is currently being configured, the City Controller is currently developing the list of roles and authorizations within the application that will electronically enforce a proper segregation of duties.

***Recommendation***

The City CFO, working with the City Controller and IT Division manager, should review the manual procedures that have been implemented to ensure that financial transactions being accomplished with the

**CITY OF SAN BUENAVENTURA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

Admins application functions are free from segregation of duty issues and possible fraud.

***Management Response***

Agreed. As a 25-year-old system, security controls are in Admins are minimal and there are no resources available to do this significant work. Since Admins is only few months away from being discontinued, any resources are being directed towards security of the new system.

**Section III - Federal Award Findings and Questioned Costs**

None noted.

**CITY OF SAN BUENAVENTURA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2009**

**Finding 08-01: Community Development Project Involving the Sale of Property Held for Resale and Related to Loans/Notes Receivable and Payable**

***Comment:***

A project approved by the City Council as the governing board of the RDA in January 2008, involved the sale of land held for resale and the execution of loan agreements for loans receivable from the project developer and loans payable to the State of California and the City of San Buenaventura. The original transactions were recorded based primarily on unwritten statements from the City Community Development Department.

A review the documents, which were provided to the Finance Department in a piecemeal fashion through December 2008, indicated that the activity recorded in relation to the identity and value of the land sold and the various funding sources and uses in relation to the loan agreements were different than the activity that had been reported to the accounting staff and then recorded.

The number of discrepancies and the timing of discovery because of the piecemeal fashion, resulted in the City having to 1) make several adjustments to the general ledger, and 2) prepare multiple revised drafts of City financial statements.

***Status of Corrective Action:***

This finding was corrected.

**Finding 08-02: Payroll**

***Comment:***

MGO noted that a detailed review of payroll prescribed by the City's policy was not performed during much of the year. This resulted from a vacancy in a payroll position, and no supervisory personnel being assigned the review responsibility during the vacancy period. An independent supervisory review was made to assure overall reasonableness of each payroll.

***Status of Corrective Action:***

This finding was corrected.